



# Annual Report 2015



**CENTRE FOR EUROPEAN REFORM**



# About the CER

The Centre for European Reform is a think-tank devoted to making the European Union work better and strengthening its role in the world. The CER is pro-European but not uncritical. We regard European integration as largely beneficial but recognise that in many respects the Union does not work well. We also think that the EU should take on more responsibilities globally, on issues ranging from climate change to security. The CER aims to promote an open, outward-looking and effective European Union.

Through our meetings, seminars and conferences, we bring together people from the worlds of politics and business, as well as other opinion-formers. Most of our events are by invitation only and off-the-record, to ensure a high level of debate.

The conclusions of our research and seminars are reflected in our publications, as well as in the private papers and briefings that senior officials, ministers and commissioners ask us to provide.

The CER is an independent, private, not-for-profit organisation. We are not affiliated to any government, political party or European institution. Our work is funded mainly by donations from the private sector.

The CER's work programme is centred on eight themes:

- ★ **Britain and the EU**
- ★ **Macroeconomics and the euro**
- ★ **Energy and climate**
- ★ **EU institutions and treaties**
- ★ **Foreign policy and defence**
- ★ **The single market and trade**
- ★ **China and Russia**
- ★ **Justice and home affairs**

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THE CER IN  
DECEMBER 2015  
FROM LEFT TO RIGHT,  
TOP TO BOTTOM:  
*Daniel Crewes,*  
*Ian Bond,*  
*Christian Odendahl,*  
*Rem Korteweg,*  
*Simon Tilford,*  
*Agata Gostyńska-*  
*Jakubowska,*  
*Sophia Besch,*  
*Anna Yorke,*  
*Kate Mullineux,*  
*Jordan Orsler,*  
*Camino Mortera-*  
*Martinez,*  
*John Springford,*  
*Charles Grant,*  
*Sophie Horsford.*



# The geopolitical significance of the EU

by **Charles Grant**

ABOVE:  
Lord Hill

*Annual dinner,  
London*

When the Centre for European Reform was conceived, 20 years ago, the EU was an almost unremitting success story – about enlarging the club, building a single currency and attempting to forge greater political unity, including in the field of foreign policy. Not only Europe but also the world as a whole was moving forwards, towards greater prosperity, more democracy and human rights, and increased inter-dependency.

The optimism continued into the middle of the last decade. When in 2003 the EU drew up its first ever ‘security strategy’, the opening sentences proclaimed: “Europe has never been so prosperous, so secure nor so free. The violence of the first half of the 20<sup>th</sup> century has given way to a period of peace and stability unprecedented in European history. The creation of the European Union has been central to this development.” At that time countries around the EU were fairly stable and the euro seemed to be a successful venture.

But over the past ten years the optimism has dissipated. The problem is not just that the EU is in difficulties, but the West as a whole. ‘The West’ is an unfashionable term and may be seen as a Cold War concept: to some, it implies a world

dominated by former imperial states that are reluctant to see emerging powers shape the global agenda. Narrowly interpreted, it could be taken to exclude democracies far from the North Atlantic, such as Australia or Japan. But the concept remains valuable. The Western countries and their allies are committed to democracy, liberal values and the rule of law, at home and in the wider world. The fact that parts of the West from time to time fail to uphold these ideals (for example, by invading Iraq in 2003) does not make them less important. When the European Union, an important pillar of the West, is fragile, so is the rules-based global order.

The world looks a lot uglier than it did when the EU drew up that security strategy. The West has suffered several reverses since then. The messy

consequences of the invasions of Afghanistan and Iraq tarnished the reputations of the US and its close allies. So did the financial crisis of 2008, which encouraged hostility to American-led globalisation. Then the failure of the Arab Spring from 2011 onwards led many to conclude that the Middle East was not ready for Western political values.

Meanwhile China's growth as an economic and military power has appeared inexorable (notwithstanding the recent economic downturn). It has become more politically repressive at home and more assertive in its neighbourhood. China deploys its economic muscle to ensure that governments like Britain's temper their criticism of its domestic politics and refuse to meet the Dalai Lama.

Russia's economy boomed when the oil price was high (peaking at \$140 a barrel in 2009) and has slumped since the price fell in 2014 (at the end of 2015 it was below \$40). But Russia's military modernisation continues apace. Since 2008 Russia has sent armies into Georgia and Ukraine. Some of its top military strategists talk in a relaxed way about using tactical nuclear weapons and appear to regard them as merely large conventional weapons.

The government in Moscow, like that in Beijing, thinks that large countries are entitled to establish spheres of influence in their vicinity, meaning that neighbours should neither criticise them nor have independent foreign policies. To many Russians it is obvious that the annexation of Crimea is justified by their country's size, power and historical ties with the peninsula, whatever international law says. Similarly, many Chinese view their assertion of sovereignty over islets in the South China Sea as superior to any ruling by international courts. Several of Russia's and China's neighbours are, unsurprisingly, scared of them.

A number of key emerging powers, such as Brazil, India and South Africa, though democratic at home, make a point of not supporting democratic causes internationally. They have tended to follow strongly 'realist' foreign policies – for example by not backing Aung San Suu Kyi when she was imprisoned in Burma. They have avoided criticising Russia's annexation of Crimea or its military adventures in the Donbass. Their unwillingness to line up alongside Western powers that not long ago ruled or exploited them is perhaps understandable, while the anti-American feelings that influence some of these countries' elites are just as evident in certain European social-democratic parties. Nevertheless the reluctance of many emerging powers to

support the liberal order has strengthened the hand of those who argue that the current Western model of development, involving pluralism and human rights, is outmoded.

*“Moscow, like Beijing, thinks that large countries are entitled to establish spheres of influence in their vicinity.”*

The presidency of Barack Obama, elected in 2008, has not done a great deal to help the West. For understandable reasons, he reacted against the failed interventions of his predecessor by making clear that he wanted minimal military entanglements overseas. He has done little to promote democracy and human rights through US foreign policy or military intervention. His patient pragmatism has delivered real achievements, such as *détente* with Cuba and the deal with Iran to limit its nuclear programme. But his failure to support the moderate opposition in the early years of the Syrian civil war – and his refusal to punish President Bashar al-Assad for crossing the red line of using chemical weapons – reinforced the perception in Moscow, Beijing and many Arab capitals that Obama was a weak president who could be pushed around.

So the last ten years have not been good for the West. The problems of the EU have only accentuated its difficulties. The financial crisis revealed major flaws in the construction of the euro. Since then the eurozone's leaders have taken important steps forwards, such as creating a bail-out fund and parts of a banking union; but they have erred in over-emphasising austerity, thereby damaging growth and increasing the burden – in some countries – of debt. Eurozone economic output remains below the level of 2008.

The recent refugee crisis, like the euro's difficulties, has made the EU look reactive, poorly-led and acrimonious. Over a million refugees and illegal migrants entered the Schengen area of passport-free travel last year. Several governments have imposed temporary border controls, in an effort to stem flows of refugees. By the end of 2015 it was clear that Schengen would not endure without drastic, sovereignty-eroding reforms. Most important, its external border needs strengthening, and not only with more effective physical barriers. The several EU databases that cover criminal records, finger prints of asylum-seekers and visa information are not currently connected. Border officials and police forces cannot easily access either these databases or alerts on suspected

terrorists – which is why some of those involved in the Paris attacks on November 13<sup>th</sup> (who were all EU citizens) could travel from Syria into the Schengen area without being detained.

The EU needs to speed up the creation of reception centres near the Schengen frontier, where asylum applications can be processed. Those rejected need to be sent home swiftly, to deter others from making the journey. A scheme for sharing out bona fide asylum-seekers, though unpopular in some capitals, is essential; otherwise most of them will end up in Sweden and Germany.

*“The Union is a beacon of Western values – democratic government, the rule of law and market economics.”*

However, EU leaders must also do what they can to tackle the root causes of the refugee flows. Peace in Libya would help; reconciliation between the country’s two governments seemed possible by the end of 2015. Even more important would be a cease-fire in Syria, which despite a modest US-Russian rapprochement in late 2015 remains a distant prospect. Chancellor Angela Merkel has been right to push the EU into seeking a bargain of *realpolitik* with Turkey, though it could easily unravel: President Recep Tayyip Erdoğan has promised to clamp down on migrant flows in return for the EU giving money and visa-free access, as well as taking refugees from Turkish camps and resuming accession talks.

By late 2015 and early 2016, EU leaders were moving ahead with several of the measures and policies required to save Schengen. For example, they agreed to create a new border force and coast guard, to strengthen Schengen’s external border. The European Parliament, which had been blocking links between databases on grounds of privacy, became more co-operative.

The EU may rise to the challenge and demonstrate that it is flexible enough to act swiftly in response to the refugee crisis. But there is a real risk that, as with the euro’s travails, EU leaders will do just enough to stop Schengen falling apart, but not enough to make it successful and confidence-inspiring. It is also possible that Schengen will not endure in its current form, and that the Schengen area may shrink. Both the euro and refugee crises have already done much to nourish anti-EU populism across large parts of Europe.

The EU’s failure to put sufficient energy and resources into its neighbourhood has weakened

its ability to influence countries there. The slowing of the EU’s geographical expansion has reduced its leverage in Eastern Europe and the Balkans. Given that membership had risen from 15 to 28 countries between 2004 and 2013, and the unappealing character of potential members such as Serbia, Albania, Kosovo, Macedonia, Moldova and Ukraine, this slow-down was inevitable. And the EU’s fitful engagement and ambiguous goals in the southern neighbourhood have contributed to the instability afflicting the Arab world.

Given all these problems, it is not surprising that defending the EU has become an unfashionable cause, nor that celebrated historians have started to draw on historical analogies to predict the Union’s demise. Brendan Simms and Timothy Less wrote in the *New Statesman* in November 2015 that, just as Austria-Hungary, the USSR and Yugoslavia had disintegrated, so the EU, “another attempt to create a supranational entity” was likely to go the same way. Niall Ferguson wrote in the *Sunday Times* in the same month that, “like the Roman Empire, Europe has let its defences crumble...As Gibbon saw, convinced monotheists pose a grave threat to a secular empire.”

Although the EU is not on the brink of disintegration, its weakness and unpopularity matter for all those who care about the West, its values and its contribution to global order. An effective EU is an essential component of a strong West. The Union has brought peace and stability to its own members and much of the European continent. It is a beacon of Western values – democratic government, the rule of law and market economics – and does its best to make its neighbours respect those values, sometimes successfully, sometimes not. As Robert Cooper, a former adviser to High Representative Javier Solana and Catherine Ashton, has said: “The EU is a muddled and messy organisation but is in essence a community of law, and its key mission is to spread the rule of law.”

The EU can act alone or alongside the US, often tempering the unilateralist instincts of the Americans. Indeed, without the EU, the West would be a much more American concept – with key satellites like Britain, France, Germany and Japan following in the Americans’ wake – than it is today.

The Europeans are strong believers in global governance, another unfashionable but important concept. They understand that without effective international institutions and rules, strong countries can bully weak ones. Given the strength of the US, it is not surprising



ABOVE:  
 (L to R) Charles Grant, Douglas Alexander and Steven Erlanger

*Breakfast on 'Britain and Europe', London*

that the Americans are often lukewarm in their commitment to global governance; they do not like to be constrained.

It is the Europeans who play a pre-eminent role in the United Nations, the international financial institutions and the World Trade Organisation. It is the US that is sometimes slack in paying its UN dues, and unwilling to ratify key international conventions; and that delayed for five years – until December 2015 – an IMF reform that will finally allow China's voting power to surpass that of Belgium.

Ever since the 1990s, the EU has pioneered global efforts to limit carbon emissions, and it played a key role in crafting the Paris accord in December 2015; the US, China and India have often dragged their feet on efforts to tackle climate change. The EU and its member-states have taken the lead in forging a host of arms control agreements, but the US (like Russia and China) has boycotted those on land mines and cluster munitions. The US continues to spurn the International Criminal Court (like Russia and China) and has not ratified either the Comprehensive Test Ban Treaty or the UN Convention on the Law of the Sea.

Cynics may see global governance as high-minded hot air, with little connection to the forces shaping the real world. But it matters. A lawless world is inherently dangerous, especially when, as is currently the case, so much is in flux. How can governments manage international financial markets, global trade, climate change or the threat of terrorism without international rules

and institutions? Strong, emerging powers are less likely to frighten their neighbours if they are constrained by institutions of the sort that did not exist in Europe in 1914. The EU gets this, and the US sometimes does – for example both agree that the lack of effective regional institutions in East Asia is worrying. So long as the EU exists, it will beat the drum for global governance and implore the Americans to be more respectful of it.

The EU is also important for many traditional foreign policy issues. In this domain the EU works through unanimity so can act only when all its members agree. But sometimes it does act, and with success. Probably its best-ever foreign policy was to welcome the former Communist countries of Central and Eastern Europe. Eleven of these countries have now joined the EU, having to jump through a whole series of hoops – on media freedom, independent judiciaries, market economics and so on – before being allowed in. Even hard-line British eurosceptics like Michael Gove and Liam Fox have admitted that the EU has played a positive role in fostering democracy in Central Europe.

Of course, there is sometimes backsliding. The performance of Viktor Orbán's Fidesz government in Hungary has been problematic. But pressure from the European Commission forced him to back-pedal on measures that endangered the independence of the media regulator, the central bank and the judiciary (though the Commission should have been much tougher). By the end of 2015 the election of the Law and Justice government had raised similar questions in Poland.

One should not pretend that the EU is always a useful or effective diplomatic actor. For example, it has consistently failed to contribute much of value to the Middle East peace process, partly because its own members disagree on how to deal with Israel and Palestine. Nevertheless many people are unaware of the crucial and positive role that the EU has played in resolving some major diplomatic conundrums in recent years. Take five examples.

*“The EU's anti-piracy naval mission off the coast of Somalia has helped to bring about a sharp fall in attacks on shipping.”*

First, the Balkans. In 2013 the then EU High Representative, Catherine Ashton, brokered a deal between Serbia and Kosovo that settled their worst disagreements and allowed both to move closer to the EU. The EU's 'rule of law' mission in Kosovo, though not without problems, has improved its judicial system, police force and customs service. Meanwhile EU police trainers and peacekeepers have been making life safer for Bosnians.

A second example is Somalia. The EU's anti-piracy naval mission off the coast, run by British headquarters, has helped to bring about a sharp fall in attacks on shipping. The EU has also paid for the African Union peacekeeping force that has restored stability to Mogadishu; trained 5,000 local troops and police; and boosted the capacity of Somalia's and its neighbours' naval forces and courts (so that pirates can be tried).

Iran's nuclear programme provides a third case. In 2003, the British, French and German foreign ministers, plus Solana, started a diplomatic effort to limit the programme. Eventually the Americans, Russians and Chinese joined the negotiations. After 12 years of on-and-off talks, Iran finally decided to go for a deal because of UN, US and EU sanctions – and in particular, those of the Europeans that excluded it from the SWIFT bank clearing system and hurt the Iranian oil industry. Iran's leaders trusted Solana and his successor, Catherine Ashton, allowing them to play a pivotal role.

A fourth example is Burma, where EU sanctions discouraged foreign companies from investing. In 2012, when the generals showed signs of wanting to reform, the EU told them that if Aung San Suu Kyi's National League for Democracy were allowed to contest elections, and political prisoners were freed, the sanctions would be lifted (the US could not make a comparable offer since removing its sanctions

requires years of Congressional deliberation). The generals took the bargain. The EU has subsequently funded peace talks between the government and ethnic rebel groups, as well as election monitors, and trained the Burmese police.

Ukraine offers a final example. Given the horrific fighting in the Donbass over the past two years, it is easy to forget that the uprising in Kyiv's Maidan was triggered by then President Viktor Yanukovich rejecting an EU trade agreement. The EU responded to Russia's actions in Crimea and the Donbass with sanctions, some of which make it hard for Russian firms to raise capital in Western markets. Chancellor Angela Merkel cajoled several reluctant EU partners to back sanctions because Germany – despite having friendly ties with Russia and important economic interests there – was outraged by its violation of international law. The falling oil price hurt Russia even more than the sanctions, but President Vladimir Putin appears keen to get them lifted, which may explain why the Donbass became quieter in the autumn of 2015.

The EU matters for internal security, too. Most Britons are scarcely aware of the EU's work in 'justice and home affairs'. The refugee crisis and the Paris attacks are spurring greater co-operation on policing and counter-terrorism. In this area Britain has a special position, since it may opt in to only those EU measures that it likes.

Nobody would call Britain's Home Secretary, Theresa May, an EU-enthusiast. But in 2014 she decided, to her credit, to maintain Britain's involvement in the most important parts of justice and home affairs, when many Conservatives had urged her to pull out of everything. Thus Britain is still part of Europol, the police co-operation office, which has an impressive track record of breaking up pan-European criminal networks, including those that abuse children, but until now has played little role in counter-terrorism. Britain will remain involved in several of the EU's criminal databases. It will also stay in the European Arrest Warrant, which allows suspected terrorists and criminals to be extradited speedily from other EU countries, as happened in the case of Hussain Osman, who fled to Italy just after the July 2005 London tube attacks.

So although most Britons view the EU as a mainly economic enterprise, they should not forget its role in making the European continent more peaceful and secure.



ABOVE:  
Joschka Fischer

*Keynote  
speaker at  
the CER's 17<sup>th</sup>  
birthday party,  
London*

## The impact of Brexit on the EU

Many words have been devoted to the impact of Brexit on the UK, but little has been written about its impact on the EU itself, or indeed on the wider world. The departure of the UK would undoubtedly weaken the EU, its global standing would suffer. Brexit would energise eurosceptics across the continent.

When it comes to economic policy, the British are the biggest champions of extending the single market, negotiating trade agreements and cutting red tape. Without the British, these causes would suffer. So would co-operation on justice and home affairs, where, despite their opt-outs, the British have been extremely influential – for example in leading co-operation on counter-terrorism, and in providing the current head of Europol.

The EU's defence policy has been unspectacular but useful since Tony Blair and Jacques Chirac invented it in 1998: it has run 32 peacekeeping, rule of law and humanitarian missions on three continents. The EU would lack credibility in defence without the participation of one of the EU's two serious military powers (France being the other). EU foreign policy would also carry much less weight, since Britain has contributed a global perspective and real expertise on some key issues, including the five mentioned above.

And then there is the German question. For the first time in the history of the EU, one country is preponderant. Germany's power has grown over the past five years, because of the relative

strength of the German economy; the skills and experience of Angela Merkel, which have given her great sway with other EU governments; the relative weakness of France; the waning influence of the European Commission; and the unwillingness of the British government to play a leading role in Europe. This situation is good for neither Germany nor the rest of EU. A British departure would accentuate the problem of German hegemony, creating all sorts of tensions and insecurities in Berlin and other capitals.

In Europe, not many political leaders appear to have given much thought to the strategic consequences of Brexit. One former leader who does think strategically is Joschka Fischer, who spent seven years as German foreign minister. Speaking at our 17<sup>th</sup> birthday party – hosted by the Polish ambassador in June – he argued that a British departure would destabilise the EU, leaving it weaker and more inward-looking.

In the US, senior officials and strategists tend to understand these issues more clearly than do many Europeans. They see the EU's crucial role in strengthening the West against those who would undermine it. They also worry a lot about the prospect of Brexit. It is true that in recent years Germany has become the US's chief interlocutor on economic issues, and France on many security problems. But US officials know that the British help continental Europeans and Americans to understand each other better; and that an EU minus Britain would be economically weaker as well as less influential strategically. They see that

the world is an increasingly dangerous place, and they want a strong EU – with Britain in it – to help

tackle the many challenges to Western interests and values.

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## The CER's work on Brexit

The election of a majority Conservative government on May 7<sup>th</sup> made it certain that Britain would hold an in-or-out referendum on EU membership before the end of 2017. Opinion pollsters had failed to predict that election result; before the election, it seemed plausible to imagine that there would not be a referendum during the 2015-20 Parliament.

Inevitably, the election changed the character of our work on the UK's relationship with Europe. Beforehand, we focused on possible reforms that a future British government – Labour or Conservative – might wish to achieve. Thus at a public panel that we organised with University College London in January, Labour MEP Richard Corbett, several academics and CER researchers discussed possible reforms. The following month, then shadow foreign secretary Douglas Alexander outlined Labour's priorities at a breakfast in London. In April we launched a series of events with King's College London and the *Financial Times* with a panel on EU reform that included Andrew Bagnall from the Confederation of British Industry and the *FT's* George Parker. In the same month Jonathan Hill, the new British commissioner, came to the CER's first ever annual dinner, hosted by NM Rothschild, and spoke about the planned capital markets union as well as broader questions on EU-UK relations.

*“The US wants a strong EU – with Britain in it – to help tackle the many challenges to Western interests and values.”*

In this pre-election period we published two policy briefs on the economics of Brexit. One was by Philip Whyte, our former chief economist, who lost his battle with cancer in April. We revised and updated his 2012 'Do the UK's European ties damage its prosperity?' This argues convincingly that main constraints on Britain's economic growth, such as over-stringent planning laws, inadequate skills and poor infrastructure, have nothing to do with the EU. Also in April we published John Springford's 'Disunited Kingdom: Why Brexit endangers Britain's poorer regions'. He demonstrated that the regions which would suffer most from leaving the EU are the poorest ones (notably the North East and the Midlands), because they are particularly dependent on manufacturing exports. Ironically, these regions are also among the most eurosceptic.

Immediately after the general election we analysed the results at a roundtable with the *Financial Times's* Philip Stephens and the *Wall Street Journal's* Simon Nixon. Henceforth there were two main strands to our work on Britain and the EU: first, the Conservatives' internal debate on Europe, and how it would influence government policy; and second, the particular demands that David Cameron's government was preparing to make, and the responses of Britain's partners.

In October, at the Conservative Party Conference in Manchester, we organised a fringe event with the eurosceptic Business for Britain (BfB) and the pro-EU Business for New Europe (BNE) on 'In or Out: What does Britain want from the EU?' Conservatives of all views were represented on the panel: David Lidington MP, the Europe minister; Gerald Howarth MP, an arch-eurosceptic and former defence minister; and Matthew Elliott, the chief executive of Business for Britain. Goldman Sachs' Michelle Pingera and BNE's Roland Rudd also spoke. Such was the interest in this lively event that we had to turn away several hundred people at the door. We ran a similar panel at Labour's conference in Brighton in September, with the pro-EU Pat McFadden MP and Chuka Umunna MP alongside the eurosceptic John Mills.

In December, a few days before the pivotal European Council which discussed the UK's demands for reform, we organised a panel on 'What EU reforms should Cameron achieve, in order for the Conservatives to support EU membership?' At the eurosceptic end of the panel we had Liam Fox, the former defence secretary; Jesse Norman, chair of the culture, media and sport select committee, sat on the fence; Dominic Grieve was critical of the EU but on balance in favour of membership; and Flick Drummond was an unabashed europhile. Radosław Sikorski, the former Polish foreign minister responded to the MPs. The debate strayed beyond the usual economic arguments towards national security: while Fox argued that the EU was undermining NATO and transatlantic relations, Sikorski countered that most serious Americans wanted the EU to be more cohesive on defence. He also argued that Brexit would negate 500 years of history, during which Britain had engaged on the continent in order to prevent one power dominating it.

Soon after the general election, speaking at a roundtable on Germany's role in Europe, Joschka



Fischer warned that "Germany wants to keep the UK, but not at the price of our relationship with France or the EU's fundamental principles."

As the negotiations between Cameron's government and its partners evolved – often without much of an apparent sense of direction – we analysed them through writing op-eds in newspapers such as the *Financial Times*, the *Guardian*, the *Observer*, *Project Syndicate*, *Die Zeit*, *Bild*, *Süddeutsche Zeitung* and the *Wall Street Journal*; and through shorter CER publications such as the bulletin, which appears every two months, and insights, which appear weekly.

We picked on particular themes of the renegotiation for longer publications. In October we published my policy brief, 'Cameron's EU gamble: Five reforms he can win, and ten pitfalls he must avoid'. This analysed Britain's main demands and also described ten things that could go wrong for the In campaign: the refugee and euro crises could run out of control; the Tory party could push Cameron to ask for the impossible, with the result that he would return from Brussels with a deal that disappointed; other member-states could prove reluctant to help Cameron, partly because the British brand has been tarnished by some inept diplomacy and anti-immigrant rhetoric; the Out campaigns seemed likely to have more energy and resources than those defending the EU; the Labour Party has descended into near-irrelevance and internal strife; many British business leaders are proving unwilling to speak out for In; and, finally, the arguments for In are complicated, largely economic and quite hard

to explain, while those for Out are simple, easy to explain and emotional.

We spent the summer and autumn researching what the other 27 governments thought about Cameron's reform demands and published the results in December, in a policy brief by Agata Gostyńska-Jakubowska, together with some interactive maps on our website. Agata reported that Britain's partners were willing to compromise on most of the UK's demands, such as the competitiveness agenda, a bigger role for national parliaments, an opt-out from the treaties' commitment to 'ever closer union', and safeguards for the single market against the risk of eurozone caucusing. The problem was that Cameron had made a priority of banning EU migrants from claiming in-work benefits unless they had lived in the UK for four years. This demand would breach fundamental EU principles of non-discrimination and free movement, and the 27 were not willing to change the treaties to accommodate Cameron.

The British desire to enhance the role of national parliaments in EU decision-making, though somewhat less contentious, has nevertheless provoked opposition in capitals such as Berlin. One problem the British have had in promoting this reform is that their own parliamentary procedures for overseeing EU business are often ineffective. In May we published Agata's 'A ten point plan to strengthen Westminster's oversight of EU policy', which explained the flaws in the current system of parliamentary oversight; she made ten recommendations on how the British Parliament could better hold the government

ABOVE:  
(L to R) Flick Drummond, Dominic Grieve, Charles Grant, Jesse Norman and Radek Sikorski

*Discussion on 'What reforms does Cameron need, so that the Conservatives campaign to stay in the EU?'*, London

to account on EU affairs. We launched the policy brief in London in July at a roundtable with John Kerr, the former secretary of the Convention on the Future of Europe, and Chris Heaton-Harris MP, a leading eurosceptic; and in Stockholm in October, with Swedish MPs Carl Schlyter and Hans Hegeland. Interestingly, eurosceptics and europhiles can agree on the need to improve parliamentary oversight of EU policy.

In October, our joint panel with UCL on the role of national parliaments in the EU featured Julie Smith, a Liberal Democrat peer, and Tim Boswell, chairman of the House of Lords EU committee, who were both broadly in favour of national parliaments having a bigger role; and Klaus Welle, the secretary-general of the European Parliament, who argued against.

We covered the British demand for safeguards against potential eurozone caucusing at one of our *FT-Kings* events in June, with Richard Szostak (an adviser to President Jean-Claude Juncker),

Sylvie Goulard MEP and the LSE's Lucrezia Reichlin. Ivan Rogers, the UK's permanent representative to the EU, spoke on the state of the negotiations at a Brussels breakfast in July. Jonathan Faull, the head of the Commission task force on Brexit, did the same from his perspective at a dinner in London in December, just before the crucial European Council that discussed Cameron's demands.

Both chambers of the British Parliament are undertaking multiple enquiries into Brexit. My colleagues and I gave evidence to the House of Commons EU scrutiny committee, for its report on Brexit; to the Commons Foreign Affairs Committee for its report on the foreign policy consequences of Brexit; to the Commons Treasury Select Committee for its report on Brexit; to the Lords' EU Committee for its report on the British renegotiation and also for its report on the euro; and to the Commons Foreign Affairs Committee for its report on the Strategic Defence and Security Review.

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## The staff, the advisory board and the referendum

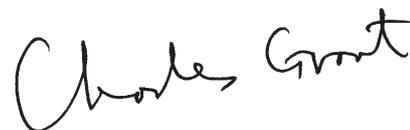
The CER's advisory board continued to offer much good advice. Antonio Vitorino stepped down after long service. New recruits were Joaquín Almunia, the former commissioner for economics and competition policy, and Pierre Vimont, the first secretary-general of the European External Action Service. Carl Bildt rejoined, after a stint of eight years as Swedish foreign minister.

Our staff remained broadly stable in 2015, though we bid farewell to Stephen Tindale, our senior associate fellow, whose advocacy of the green agenda in general, and policies to tackle climate change in particular, had won many plaudits. In March we said goodbye to our first Clara Marina O'Donnell fellow, Yehuda Ben-Hur Levy, who returned to Israel. The second Clara Marina O'Donnell fellow, Sophia Besch, a defence expert, joined us in October.

In December we relaunched the CER website – now in its fourth incarnation. This modernised both the look and structure of the site, allowing us more flexibility to promote our large body of work, and a clearer and more specific topic focus. The site gives greater visibility to our 'insights', which are listed alongside opinion pieces that we write for the international press. Our website traffic continued to grow: in 2015 we had about 500,000 hits on our site, 100,000 more than in 2014. We also continued to build up our social media profile: our followers on Twitter increased from about 7,000 to over 12,000 over the year, while Facebook likes rose from 3,000 to 6,000.

We have in place the team we need for the imminent referendum battle. The CER is not a campaigning organisation. It will continue to publish facts, ideas and arguments that are based on evidence. Some of what we say may displease those campaigning to avoid Brexit, but we shall not risk losing our intellectual credibility by slanting our research in one particular direction.

Much of the referendum campaign will be very emotional. Our contribution will be to bring sober, serious and rigorous analysis, as well as an international perspective, to the debate. In February 2015 we published the hundredth edition of the CER bulletin, which we have produced every two months since we started. One article in that edition was by David Miliband, who helped to found the CER 20 years ago and is currently based in New York. He wrote: "For the American political and economic elite, European co-operation may be a disappointment, and sometimes a puzzle, but it remains a necessity... across party lines in the US, the idea of a Europe without Britain is not attractive at all; and it must also be said, the idea of a serious Britain outside the EU is a non-starter."



Charles Grant



# The CER's work on economics

by **Simon Tilford**

The fraught political situation in many EU countries left a dark cloud hanging over Europe's economic prospects. In the summer of 2015 it appeared possible that Greece might be forced out of the euro, which we argued would have been the beginning of the end for the currency union. Eventually, an agreement was reached between Greece and the rest of the eurozone, but only after the German finance minister, Wolfgang Schäuble, effectively threatened Greece with expulsion from the euro unless it accepted the rest of the eurozone's demands on austerity and structural reform. Unfortunately, this agreement failed to address many of the underlying problems faced by Greece (in particular, the country's unsustainably high level of public debt), as we argued in a series of articles, and by the end of the year its long-term membership of the euro was far from assured.

While economic recovery accelerated in some eurozone member-states, notably Spain and Ireland, France and Italy remained weak, and German growth disappointed yet again. The eurozone expanded by just 1.5 per cent, far short of the US or UK. Partly as a result, eurozone inflation continued to fall, reinforcing fears that the currency bloc could become trapped in a cycle of low inflation

and low growth. The European Central Bank (ECB) finally commenced quantitative easing in March, but, as we argued, this is unlikely to lift inflation without a co-ordinated fiscal expansion and intra-eurozone rebalancing. While trade deficits have fallen across the south of the eurozone, there has been no corresponding narrowing of trade surpluses in Germany and the Netherlands.

ABOVE:  
 (L to R) Angus  
 Armstrong,  
 Ed Balls  
 and Ludger  
 Schuknecht

*Ditchley  
 conference  
 on 'Has the  
 eurozone been  
 a failure?'*  
 Oxford

The eurozone faces a raft of economic challenges, all of which require member-states to work more closely together. But the gap between what the eurozone economy needs – more co-operation, integration, risk-sharing and solidarity – and what eurozone electorates are prepared to support, continued to widen in 2015. There was little sign of reconciliation between competing narratives of the crisis, with austerity and reform fatigue on the eurozone periphery (including in Italy, Portugal and Spain) clashing with bailout fatigue in the core. Germany remained a key stumbling block: there was little sign of its political class being willing to take the radical steps required to put the eurozone economy on a sound footing.

*“At the heart of the eurozone's troubles lay a contradiction between its integrationist economic pressures and the politics of democratic nation-states.”*

In our biggest report of the year, ‘We don’t need no federation: What a devolved eurozone might look like’, published in December, Christian Odendahl took a forensic look at these issues. He argued that at the heart of the eurozone’s troubles lay a fundamental contradiction between the euro’s integrationist economic pressures and the politics of democratic nation-states. To resolve this, the eurozone should only integrate where it is economically essential: in banking and financial markets, in building a lender of last resort, and in ensuring a sufficient level of demand. It should leave as much as possible to its member-states, including structural reforms – where the case for centralisation of decision-making is weak, and the political costs are high. In November we hosted a joint launch for Christian’s report and a new book by the *Financial Times*’ Martin Sandbu, ‘Europe’s orphan: The future of the euro and the politics of debt’, with Reza Moghadam (formerly the IMF’s chief in Europe, and now with Morgan Stanley) as the third speaker.

Our annual Ditchley economics conference in November brought together a very strong group of economists to discuss ‘Has the euro been a failure?’ Participants included Marcel Fratzscher, president of the DIW think-tank; Jeromin Zettelmeyer, chief economist of the German economics ministry; Hélène Rey, a professor at the London Business School; Jean Pisani-Ferry, commissioner-general for policy planning in the French government; Ludger Schuknecht, director-general for strategy in the German finance ministry; Paul Tucker, former deputy

governor of the Bank of England; and Paul De Grauwe, a professor at the London School of Economics. While only a few participants thought it possible or advisable to dismantle the single currency, the majority were pessimistic about the ability of the eurozone political elite to sell the necessary integrationist steps to their increasingly disillusioned electorates.

We also held smaller events on these themes, including breakfasts in Brussels with the two key economics vice-presidents in the European Commission – Valdis Dombrovskis and Jyrki Katainen. In March we hosted a launch for Barry Eichengreen’s latest book, ‘Hall of mirrors: The great depression, and the uses – and misuses – of history’; respondents were Professor Nick Crafts of Warwick University and Natasha Valla of the Centre de recherche français dans le domaine de l’économie internationale (CEPII).

We covered financial market themes at a series of events in London: a lunch in July on ‘Banks and the capital markets union’ with Richard Hopkin from the Association for Financial Markets in Europe, Martin Merlin from the European Commission and Richard Portes from the London Business School; a lunch in September with Julie Dickson, ECB representative on the board of the Single Supervisory Mechanism (SSM), and Angus Armstrong from the National Institute of Economic and Social Research (NIESR); a dinner in October on ‘The banking union, one year on’, with Danièle Nouy, President of the Supervisory Council at the European Central Bank, and Simon Gleeson from Clifford Chance; and a breakfast in December on the capital markets union with Commissioner Jonathan Hill, held jointly with the *Financial Times* and King’s College London.

We produced two policy briefs on the pressing issue of intra-eurozone adjustment. In ‘German rebalancing: Waiting for Godot?’, published in March, I noted that Germany’s current account surplus had hit an all-time record of more than 7 per cent of GDP, which was bad for both Germany and its trading partners. The rising surplus was not, as argued by the German government, the inevitable by-product of an ageing society, but rather reflected structural (and distributional) problems in the German economy, which held back investment and hence productivity growth. Rebalancing would boost the eurozone economy, lift inflation and make it easier for indebted eurozone countries to service their debts, including those owed to Germany. I argued that since the German government showed little inclination to take active steps to foster rebalancing, the European Commission should step up pressure on it to do so.



In 'Gain or more pain in Spain?', published in October, I highlighted data showing that there was little evidence for Spain's recovery being the result of austerity and reforms, and that there were plenty of reasons to be sceptical about the country's growth prospects. Spain was likely to enter the next downturn having barely recovered from the previous recession, with high levels of public- and private-sector debt and unemployment well above pre-crisis rates. Given the paucity of policy tools available to boost domestic demand, another deep recession was likely.

We did not neglect supply-side issues in the European economy. In July we published 'Offline: how should Europe catch-up with American technology', a policy brief by John Springford. This argued that accelerating the take-up of digital technology across the EU's services sector was more important than creating – as the Commission seems keen to do – a 'European Google'. To give itself the best chance of taking advantage of technology's benefits, the EU needed a more expansive plan to promote competition across the single market. It should therefore apply the 'mutual recognition' principle in sectors where services were most tradable and had the greatest potential for digitisation. This would allow firms to sell services in other member-states but be regulated at home, thereby reducing the regulatory costs of entering markets in the rest of the EU. Many of these issues were covered at two events in Brussels: a breakfast in June, with Juhan Lepasaar, the chef de cabinet of Andrus Ansip, the commissioner

for the digital single market, and at a roundtable that we held on 'Does EU regulation stifle innovation?' in November, with David Willetts, a former Conservative minister, Robert Madelin, a senior Commission official, Alexander Moscho of Bayer and Nick Johnstone of the OECD.

Simon Tilford

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ABOVE:  
(L to R) Angus  
Armstrong,  
Simon Tilford  
and Julie  
Dickson

*Lunch on  
'Will the  
eurozone  
caucus on  
financial  
regulation?'*  
London



ABOVE:  
(L to R)  
Abdullah Gül,  
Sinan Ülgen  
and Carl Bildt

*CER/EDAM  
11<sup>th</sup> Bodrum  
roundtable,  
Bodrum*

# The CER's work on foreign and defence policy

**by Ian Bond**

In 2015, external and internal security challenges combined to put the EU under enormous stress. The threat posed by Russia following its 2014 intervention in Ukraine remained, but for most of the year was contained. Instead, European leaders were preoccupied with state breakdowns in the Middle East and North Africa, the resultant refugee crisis, and terrorist attacks in Europe and elsewhere. The EU struggled to agree on responses that matched up to the scale of the problems on its doorstep.

## The Middle East and North Africa: War, terror and migration

In January 2015 and then again in November, Islamist terrorists struck Paris, killing a total of 147 people. Many of the attackers had spent time in Syria and had links to Belgium. Inadequate data sharing among EU governments had helped the terrorists to avoid detection as they travelled around Europe.

A policy brief in December from Camino Mortera-Martinez, 'Big data, big brother? How to secure Europeans' safety and privacy', recommended ways of overcoming the obstacles to effective EU co-operation against

terrorism. Obstacles included the European Parliament's suspicion of intelligence agencies and its reluctance to see various EU databases connected. She also suggested extending Europol's role in intelligence matters, and making it an interlocutor for the US in intelligence sharing.

In 2015 there was virtually no progress towards solving the worst conflicts in the Middle East. At a lunch in March with Rory Stewart MP, then chairman of the House of Commons defence committee, current and former senior officials

expressed worries about the ability of terrorist groups like Daesh to fill the spaces left by failed or failing states; they also fretted about Britain's own weakening diplomatic and military credibility. A dinner in June with John Sawers, the former chief of the Secret Intelligence Service, explored among other things whether Western interests in the Middle East were best served by authoritarian rulers or those enjoying popular consent; several participants favoured the former.

The Daimler Forum, a group of officials and think-tankers that is brought together by the CER, the Brookings Institution and the Stiftung Wissenschaft und Politik (SWP), gathered in Berlin in May. This group has been discussing strategic issues regularly since 2000. Speakers in Berlin included Mark Sedwill, the top official in the British Home Office, Emily Haber, his German counterpart, Simon Fraser, the most senior official in the British Foreign Office, and Philip Gordon, the senior director for the Middle East in the National Security Council. They wrestled with the problems of domestic radicalisation and its overseas drivers. One accurate prediction was that the situation in Syria and its impact would worsen significantly.

Though the agreement in July between Iran and six leading powers to limit its nuclear programme was welcome, it did not make Tehran a more constructive partner in the region. If anything, Iran's involvement in proxy wars in Iraq, Syria and Yemen – often opposing Saudi Arabia and the Gulf States – increased. The conflicts in the Middle East led to huge flows of refugees and migrants across the Mediterranean. The influx fueled support for anti-immigrant populist parties in EU member-states, a subject addressed by Yehuda Ben-Hur Levy, in his policy brief, 'The Undiplomats: Right-wing populists and their foreign policies'.

In May we held another of our regular Warsaw forums on EU foreign policy. Speakers included Hugues Mingarelli, managing director for the Middle East and North Africa at the European External Action Service (EEAS); Rear Admiral Waldemar Głuszko, deputy director-general of the EU military staff; Dutch political director Wim Geerts; and Polish under-secretary of state for Europe Henryka Mościcka-Dendys. The event took place as the EU was drafting its policy to counter refugee flows in the Mediterranean. Speakers raised concerns about the EU's proposed naval operation, the final phase of which – not implemented in 2015 – could involve attacks on smugglers' boats. Some argued that the naval mission could not succeed without peace in Libya, which remained elusive.

The flow of Syrian refugees in the summer was entirely predictable, but still caught the EU unprepared. Thousands crossed from Turkey to the Greek islands every week. The EU's system for registering refugees in the first member-state they reach fell apart: the impoverished Greek government simply could not process asylum claims from hundreds of thousands of Syrians, Iraqis and Afghans, who mostly wanted to go to Germany or Sweden.

*“The decision to admit any number of refugees strained Germany's resources and its culture of welcome, and weakened Merkel politically.”*

In a speech at the CER in September, Yvette Cooper MP (then a candidate for the leadership of the Labour Party), called for all European countries, including the UK, to take in more refugees; this speech helped shift the debate in the UK in a positive direction, forcing the government to accept a few thousand Syrians. However, Britain, like many member-states, remained reluctant to accept significant numbers. Angela Merkel was the obvious exception, but her decision to admit any refugees who wanted to enter Germany contributed to the arrival of more than one million people by the end of 2015. This strained Germany's resources and its culture of welcome, and weakened Merkel politically.

In the longer term, one potentially positive spin-off of the refugee crisis could be an improvement in EU-Turkey relations, and the relaunch of accession negotiations. Before November, when a putative migrant deal was struck between Brussels and Ankara, experts were gloomy about the state of EU-Turkey affairs. Such was clear from a CER roundtable in March, which was addressed by the FT's Philip Stephens and Bahadır Kaleagasi, the international co-ordinator for the Turkish employers' federation TÜSIAD. At our annual Bodrum conference in October, addressed among others by former Turkish president Abdullah Gül, former Swedish prime minister Carl Bildt and US State Department official Siddharth Mohandas, participants echoed these worries and said that the governing AK party was turning away from the EU and becoming more authoritarian. But after the migrant deal was agreed, gloom was replaced by caution. A CER meeting in London in December with Cansın Basaran-Symes, President of TÜSIAD, heard arguments that there should be no fast-track for EU accession without reforms in Turkey.

When the Daimler Forum met again in Washington in November, Anne Richard, the State Department's assistant secretary for migration, and Ali Osman Öztürk, an adviser to the Turkish prime minister, led a dinner discussion on the Syrian refugee crisis. The debate focused on the risks posed by an embittered generation of under-educated youths from the refugee camps in Syria's neighbours.

At the Daimler Forum panel on the Middle East, introduced by Andreas Michaelis, the German

political director, and Michael Ratney, the US Syria envoy, there was some limited optimism that multilateral talks in Vienna involving both Saudi Arabia and Iran could engender a peace process for Syria. Since then, however, Turkey's shooting down of a Russian fighter jet on November 24<sup>th</sup> has exacerbated tensions between Russia and the West, while the cold war between Riyadh and Tehran has also worsened. It is hard to see a way forward for Syria in these circumstances, especially since low oil prices may yet destabilise oil-dependent regimes.

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## Russia, Ukraine and energy security

Early in 2015 the fighting in Ukraine worsened, despite the ceasefire agreed in Minsk in September 2014 after negotiations among France, Germany, Ukraine and Russia (the so-called 'Normandy format'). At a CER lunch in February with Carl Bildt, there was concern over whether Russia might become more involved militarily in Ukraine. But another Normandy format summit in Minsk that month brokered a new deal between Moscow and Kyiv, significantly more favourable to Russia. By the end of the year, the situation in Ukraine had settled into a more-or-less frozen conflict, as the prominent Russian analyst Dmitri Trenin had predicted at a CER roundtable in February. This probably suits Russian President Vladimir Putin: he knows that although Western sanctions have been extended into 2016, support for them is likely to erode over time.

*“Putin's military intervention in Syria persuaded Western leaders that they had to deal with Putin again.”*

By the end of 2015, Putin's external position was stronger than a year earlier. Despite the continued presence of Russian forces in Ukraine, his military intervention in Syria persuaded Western leaders that they had to deal with Putin again: even if he could not solve the civil war there, he could certainly make it worse. At the Daimler Forum in November, Celeste Wallander, a senior director in the US National Security Council, Nicolas de Rivièrè, the French political director and Radek Sikorski, the former Polish foreign minister, discussed whether it was possible to work with Russia over Syria while remaining firm on Ukraine, or whether the West would have to accommodate Putin over Ukraine in some way. Most participants went for the first of those options.

Christian Odendahl, Jennifer Rankin and I showed in our policy brief of March, 'Frozen:

The politics and economics of sanctions against Russia' that sanctions were the least of Putin's economic worries, however. The policy brief analysed the effects of sanctions, falling oil prices and Russian policy errors, concluding that the last two had made a much larger contribution to Russia's economic woes. The IMF predicted in November that Russia's economy would contract by 3.8 per cent during 2015.

Despite the availability of gas and oil from other sources, geography dictates that Russia will remain a significant supplier of energy to Europe, at least until the transition to renewables is complete. The CER and the Carnegie Endowment for International Peace organised a roundtable on the EU-Russia energy relationship in Brussels in July. This featured among other speakers Gunnar Wiegand, the top official dealing with Russia in the EEAS, and Vladimir Milov, a former Russian deputy energy minister. One conclusion was that if the EU enforced its own rules, it would be good both for the efficiency of Russian energy producers and the operation of the European market.

Dieter Helm's November policy brief for the CER, 'The EU Energy Union: More than the sum of its parts', looked at how Europe could best pursue its three objectives of reducing carbon emissions, increasing economic competitiveness and improving security of supply, including by reducing dependence on Russian gas. We launched this at a roundtable in London with Iain Conn, the CEO of Centrica.

The Commission's state aid guidelines are an important factor in European energy policy. In February, Stephen Tindale argued in a CER policy brief that the Commission should use these guidelines to promote decarbonisation. But energy policy does not stop at the EU's borders. In his final policy brief for the CER, Stephen proposed that the EU should use the Energy Community to promote clean energy in Eastern



Europe and Turkey. His ideas were discussed at CER roundtables in London and Istanbul in April, and in Belgrade in May.

The EU warmly embraced November's COP21 climate agreement in Paris. Artur Runge-Metzger, one of the EU's central figures in the climate talks, claimed in December at a breakfast meeting in Brussels that the deal paved the way for concerted international action to stop climate change. The focus would henceforth turn to realising national emissions targets.

A CER event in October in Helsinki discussed the Arctic, including in the context of future energy supplies. Speakers included Finnish economy minister Olli Rehn, former Finnish prime ministers Paavo Lipponen and Esko Aho, respected Russian think-tanker Andrei Kortunov and AIG's chief economist Kathleen Stephansen. While policy-makers and politicians enthused about the Arctic's economic potential, energy experts poured cold water on such prospects. Nevertheless several speakers worried that unless the EU paid more attention to the Arctic, tensions with Russia could spill over into the region.

ABOVE:  
(L to R)  
Baroness  
Neville-Jones,  
Rem Korteweg,  
Esko Aho and  
Tomas Grove.

*Conference on  
'Deep freeze?  
East-West  
relations and  
the Arctic',  
Helsinki*

## China and trade

Thanks to events nearer to home, important developments in Asia often went unnoticed in Europe. In China, President Xi Jinping pushed forward with his 'One Belt, One Road' (OBOR) initiative, designed to improve land and maritime links with Europe. In March, the UK ignored US objections and announced that it would join China's planned Asian Infrastructure Investment Bank (which will invest *inter alia* in OBOR-related projects); other EU member-states followed suit.

In May, Presidents Xi and Putin met in Moscow and announced plans to integrate the Russian-led Eurasian Economic Union and the Silk Road Economic Belt (the land component of OBOR). I looked at the opportunities and risks that China offered both Russia and the EU in two insights, 'Chasing the dragon: Russia's courtship of China' and 'China's European charm offensive: Silk road or silk rope?' The latter concluded that European countries needed a more united

approach to China if they were to do a better job of protecting their interests in the rules-based international system.

The panel on China at the Daimler Forum in November, with speakers including Helga Schmid from the EEAS and Ely Ratner from the US Vice President's office, suggested that Europeans were less worried by China's increasingly assertive foreign policy than were many Americans. Rem Korteweg's May insight on the EU and the Association of South East Asian Nations (ASEAN) suggested practical ways in which Europe could help the countries of the region to make progress on maritime disputes, even if Europeans did not want to be as vocal as the US in opposing China's territorial claims in the South China Sea.

Elsewhere in Asia, the US and its partners (but not China) concluded negotiations on the Trans-

Pacific Partnership (TPP), an ambitious free-trade agreement; but negotiations between Brussels and Washington on a Transatlantic Trade and Investment Partnership (TTIP) stagnated. The panel on TTIP at our Bodrum conference showed that European businesses were starting to lose faith that the EU and US would ever forge a deal. The CER emphasised the strategic dimension of TTIP at a series of roundtables that we organised in Warsaw, Vienna, London, The Hague and Berlin. Speakers at these events included former WTO director-general Pascal Lamy, Commissioner Malmström's head of cabinet Maria Åsenius, British Trade Minister Francis Maude and the prominent Dutch MEP and trade expert, Marietje Schaake.

TTIP aside, the UK showed little enthusiasm for EU foreign policy co-ordination in 2015. At a number of CER meetings during the year, various European and US officials expressed their worries about the impact that the Brexit debate was having on the UK's willingness to play its traditional leading role in tackling international problems.



**Ian Bond**

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## The Amato Group

With a pressing refugee crisis and two major terrorist attacks on European soil, the relevance of our 'Amato Group' – established with the Open Society European Policy Institute in 2014 – increased. Meeting in Brussels and chaired by former Italian Prime Minister Giuliano Amato, the group brings together experts and officials to debate key justice and home affairs (JHA) matters in an informal setting. Because the discussions are off-the-record, participants are free to express controversial views on, for example, what to do with irregular migrants or how to stop terrorists; and to cast off the official positions that they normally have to represent. This approach helps the group to come up with original and fresh ideas.

The Amato Group met for the second time in March 2015, to discuss privacy and security in the face of global terror and migration. Speakers included Gilles de Kerchove, the EU's counter-terrorism co-ordinator. Participants worried that transatlantic co-operation on counter-terrorism would be damaged by differing approaches to privacy in the EU and the US; they urged the European Parliament to be more realistic in its handling of security matters and called for the Passenger Name Recognition and Data Protection Umbrella agreements to be concluded.

The group also demanded better information exchanges between member-states and with Europol on potential terrorists and asylum seekers. Some participants thought Europol had great potential to act as a hub for intelligence swapping, both among Europeans and across the Atlantic. Finally, the group called for better co-operation between Europol and Frontex (the EU's border agency) and for online service providers, like Google and Facebook, to engage more in the fight against terrorism.

The group's third meeting, in October 2015, sought to combine the issues covered in the first two sessions, namely migration, and privacy versus security. Speakers included Brian Donald, chief of staff at Europol. Participants looked at how Schengen's external borders could be made more secure through the use of databases. The group concluded that automated systems to control the length of stay of visa holders and facilitate visa-free entries into Schengen would be good tools against irregular migration, but insufficient to deal with the current inflows of asylum seekers. The group deplored the meagre links between the EU's array of databases, and called for a better use of those containing fingerprints of asylum seekers (Eurodac), criminal records (the Schengen Information System) and data on visa holders (the Visa Information System).

Finally, the group suggested some ways of dealing with Europe's refugee crisis: the EU and its governments needed to work more closely with countries of origin and destination; improve the poor track-record of returning failed asylum seekers to their home countries; take more decisive action against criminal gangs to end smuggling; and improve the identification of asylum seekers through better use of finger printing.



**Camino Mortera-Martinez**

# CER publications 2015

## **State aid for energy: Climate action is more important than the single market**

policy brief by Stephen Tindale

February 2015

## **German rebalancing: Waiting for Godot?**

policy brief by Simon Tilford

March 2015

## **Frozen: The politics and economics of sanctions against Russia**

policy brief by Christian Odendahl, Ian Bond and Jennifer Rankin

March 2015

## **Disunited Kingdom: Why 'Brexit' endangers Britain's poorer regions**

policy brief by John Springford

April 2015

## **Cleaning the neighbourhood: How the EU can scrub out bad energy policy**

policy brief by Stephen Tindale

April 2015

## **Do the UK's European ties damage its prosperity?**

essay by Philip Whyte

April 2015

## **A ten-point plan to strengthen Westminster's oversight of EU policy**

policy brief by Agata Gostyńska-Jakubowska

May 2015

## **Offline? How Europe can catch up with US technology**

policy brief by John Springford

July 2015

## **The Undiplomats: Right-wing populists and their foreign policies**

policy brief by Yehuda Ben-Hur Levy

August 2015

## **Gain or more pain in Spain?**

policy brief by Simon Tilford

October 2015

## **Cameron's EU gamble: Five reforms he can win, and ten pitfalls he must avoid**

policy brief by Charles Grant

October 2015

## **The EU Energy Union: More than the sum of its parts?**

policy brief by Dieter Helm

November 2015

## **We don't need no federation: What a devolved eurozone should look like**

report by Christian Odendahl

December 2015

## **Big data, big brother? How to secure Europeans' safety and privacy**

policy brief by Camino Mortera-Martinez

December 2015

## **Cameron's EU reforms: Will Europe buy them?**

policy brief by Agata Gostyńska-Jakubowska

December 2015



# CER events 2015



**16 January**  
 CER/Kreab breakfast on  
 'Prospects for TTIP'  
 with *Anthony Gardner, Brussels*

**20 January**  
 CER/Kreab breakfast on 'How to  
 stimulate European investment'  
 with *Jyrki Katainen, Brussels (top left)*



**21 January**  
 CER/UCL Britain and Europe series:  
 'Pathways to EU reform'  
 with *Wolfgang Blau, Richard Corbett MEP  
 and Deirdre Curtin, London*

**28 January**  
 Lunch on 'Russia, Ukraine and the EU'  
 with *Carl Bildt, London  
 (second from top, left)*



**16 February**  
 Lunch on 'Hall of Mirrors'  
 with *Nicholas Crafts, Barry Eichengreen  
 (middle left) and Natacha Valla, London*

**24 February**  
 Roundtable on 'How Russia is changing  
 and the implications for European  
 security'  
 with *Dmitri Trenin, London*



**25 February**  
 Breakfast on 'Britain and Europe'  
 with *Douglas Alexander MP, London*

**9 March**  
 Roundtable on 'A Turkish balancing act?  
 Pipelines, polls and relations with the EU'  
 with *Bahadır Kalegasi and Philip  
 Stephens, London*

**10 March**  
 Lunch on 'Britain, Europe and global  
 security challenges'  
 with *Rory Stewart MP, London*



**26 March**  
 Second meeting of the Amato Group  
 on 'Security versus privacy: What is at  
 stake in the European and transatlantic  
 debates?'  
 with *Gilles de Kerchove, Marco Pancini  
 and Kenneth Propp, Brussels*

**9-10 April**  
 Brookings/CER/SWP Daimler  
 US-European forum on global issues  
*speakers included Ivo Daalder, Simon  
 Fraser, Phil Gordon, Emily Haber and Mark  
 Sedwill, Berlin*

**16 April**  
 Annual dinner  
 with *Lord Hill, London*

**27 April**  
 Launch of 'Cleaning the neighbourhood:  
 How the EU can scrub out bad energy  
 policy'  
 with *Nick Butler, Dieter Helm (second  
 from bottom, left) and Ognjen Pribičević,  
 London*

**29 April**  
 CER/FT/KCL Future of Europe leadership  
 series: 'Will the election decide the  
 future of the UK in Europe?'  
 with *Andy Bagnall, Geoffrey Evans and  
 George Parker, London*

**29 April**  
 CEP/CER panel on 'Energy and  
 environment: Serbia on the road  
 towards the EU'  
 with *Jelena Miletić and Filip Radović,  
 Belgrade*

**11 May**  
 Breakfast on 'What the general election  
 means for Britain and its place in the  
 world'  
 with *Simon Nixon and Philip Stephens,  
 London*

**25 May**  
 CER/EDAM panel on 'Prospects for clean  
 energy and solar in Turkey'  
 with *Gökşin Bavbek and Stephen Tindale,  
 Istanbul*

**28 May**  
 CER/demosEUROPA roundtable on  
 'The geopolitics of trade:  
 Understanding TTIP's strategic impact'  
 with *Václav Bartuška, Ewa Synowiec  
 (bottom left) and Kaja Tael, Warsaw*

### 28-29 May

CER/demosEUROPA forum on 'A dangerous neighbourhood: Europe's foreign policy agenda'  
*speakers included Wim Geerts, Waldemar Głuszko, Hugues Mingarelli, Henryka Mościcka-Dendys and Nathalie Tocci, Warsaw*

### 10 June

Dinner on 'Challenges to the global order: China, Russia and the Middle East'  
*with Sir John Sawers, London (top right)*

### 25 June

CER/Kreab breakfast on 'The future of the EU digital single market'  
*with Juhan Lepassaar, Brussels*

### 29 June

Roundtable on 'The future of the EU and Germany's role in it'  
*with Joschka Fischer, London*

### 29 June

CER 17<sup>th</sup> birthday reception  
*with a keynote speech by Joschka Fischer, hosted by HE Witold Sobków, London*

### 30 June

CER/FT/KCL Future of Europe leadership series: 'Two-speed Europe: What does eurozone integration mean for the UK?'  
*with Sylvie Goulard, Quentin Peel, Lucrezia Reichlin and Richard Szostak, London*

### 3 July

Lunch on 'Banks and the capital markets union'  
*with Richard Hopkin, Martin Merlin (middle right) and Richard Portes, London*

### 7 July

Carnegie Europe/CER roundtable on 'The EU-Russia energy relationship: From addiction to rehab?'  
*speakers included Gunnar Wiegand, Kristine Berzina, Matthew Bryza, Peter Mather and Vladimir Milov, Brussels*

### 16 July

Launch of CER policy brief 'A ten-point plan to strengthen Westminster's oversight of EU policy'  
*with Chris Heaton-Harris MP (second from top, right) and Lord Kerr, London*

### 23 July

CER/Kreab breakfast on 'Reforming the EU'  
*with Ivan Rogers, Brussels*

### 1 September

Speech on 'The European refugee crisis'  
*with Yvette Cooper MP, London (second from bottom, right)*

### 1 September

Lunch on 'Will the eurozone caucus on financial regulation?'  
*with Angus Armstrong and Julie Dickson, London*

### 15 September

CER/Kreab breakfast on 'A blueprint for the future of the eurozone'  
*with Valdis Dombrovskis, Brussels*

### 22 September

CER/FIW panel on 'The strategic implications of TTIP'  
*with a keynote speech by Lord Maude (bottom right), speakers included Tom Nuttall and Manfred Schekulin, Vienna*

### 28 September

BfB/BNE/CER fringe event at the Labour party conference: 'In or out: What does Britain want from the EU?'  
*with Martin Kettle, Pat McFadden MP, John Mills and Chuka Umunna MP, Brighton*

### 5 October

BfB/BNE/CER fringe event at the Conservative party conference: 'In or out: What does Britain want from the EU?'  
*with Ed Conway, Matthew Elliott, Sir Gerald Howarth MP, David Lidington MP, Michelle Pinggera and Roland Rudd, Manchester*

### 9 October

CER/UI panel on 'National parliaments in the EU: Towards greater legitimacy of European affairs'  
*with Hans Hegeland and Carl Schlyter, Stockholm*

### 9-11 October

CER/EDAM 11<sup>th</sup> Bodrum roundtable  
*with a keynote speech by Abdullah Gül, speakers included Carl Bildt, Mehmet Fatih Ceylan, Espen Barth Eide, Liam Fox MP and Klaus Welle, Bodrum*



**12 October**

CER/UCL Britain and Europe series: 'National parliaments and the EU' with Lord Boswell, Baroness Smith and Klaus Welle, London



**16 October**

Conference on 'Deep freeze? East-West relations and the Arctic' speakers included Esko Aho, Andrei Kortunov, Paavo Lipponen, Olli Rehn and Kathleen Stephansen, Helsinki

**21 October**

Dinner on 'The banking union, one year on' with Simon Gleeson and Danièle Nouy (top left), London



**27 October**

Third meeting of the Amato Group on 'Migration, security and law enforcement: What are the advantages, what should be the limits?' with Giuliano Amato, Brian Donald, Rob Rozenburg and Martin Scheinin, Brussels



**29 October**

Roundtable on the EU energy union with Nick Butler, Iain Conn and Dieter Helm, London

**6-7 November**

Ditchley conference on 'Has the euro been a failure?' speakers included Marco Buti, Jean Pisani-Ferry, Marcel Fratzscher, Stephen King, H el ene Rey, Ludger Schuknecht and Jeromin Zettelmeyer, Oxfordshire



**17 November**

Roundtable on 'Does EU regulation stifle innovation?' with Nick Johnstone, Robert Madelin, Alexander Moscho and David Willetts, Brussels



**18-19 November**

Brookings/CER/SWP Daimler US-European forum on global issues speakers included Nicolas de Riviere, Andreas Michaelis, Ely Ratner, Michael Ratney, Anne Richard, Helga Maria Schmid and Celeste Wallander, Washington

**20 November**

Lunch on 'TTIP, the road ahead' with Maria Åsenius, London (second from top, left)

**26 November**

Launch of 'Europe's orphan' and 'We don't need no federation' with Martin Sandbu and Reza Moghadam, London

**27 November**

CER/FT/KCL Future of Europe leadership series: 'Capital markets union breakfast briefing' with a keynote speech by Lord Hill, speakers included Graham Bishop, Lorenzo Codogno and Stephanie Flanders, London

**30 November**

CER/GMF panel on 'TTIP after the TPP deal' with Dieter Haller, Pascal Lamy, Joshua Meltzer, Petra Pinzler and Paula Wilson, Berlin

**1 December**

Breakfast on 'Turkey after the elections' with Cansen Bařaran-Symes (middle left) and Daniel Dombey, London

**2 December**

Dinner on the EU referendum with Jonathan Faull, London (second from bottom left)

**8 December**

CER/Clingendael roundtable on 'The strategic impact of TTIP' with Marietje Schaake MEP, The Hague

**14 December**

Panel on 'What reforms does Cameron need, so that the Conservatives campaign to stay in the EU?' with Flick Drummond MP, Liam Fox MP, Dominic Grieve MP, Jesse Norman MP and Radosław Sikorski (bottom left), London

**15 December**

CER/Kreab breakfast on 'Climate Change before/after COP 21' with Artur Runge-Metzger, Brussels

# Advisory board 2015

## **Esko Aho**

Senior Fellow, Harvard University, Consultative Partner for Nokia and former prime minister of Finland

## **Joaquín Almunia**

Former vice-president and competition commissioner, European Commission

## **Carl Bildt**

Former prime minister and foreign minister of Sweden

## **Nick Butler**

Visiting Fellow and chairman, King's Policy Institute at King's College London

## **Tim Clark**

Former senior partner, Slaughter & May

## **Iain Conn**

Group CEO, Centrica

## **Sir Robert Cooper**

Special adviser to the High Representative and former counsellor, European External Action Service

## **Paul De Grauwe**

John Paulson Chair in European Political Economy, London School of Economics

## **Stephanie Flanders**

Chief market strategist for the UK and Europe, JP Morgan Asset Management

## **Timothy Garton Ash**

Professor, European Studies, University of Oxford

## **Heather Grabbe**

Director, Open Society European Policy Institute, Brussels

## **John Grant**

Former executive vice president, policy and corporate affairs, BG Group plc

## **Lord Hannay**

Former ambassador to the UN and the EU

## **Lord Haskins**

Former chairman, Northern Foods

## **François Heisbourg**

Senior adviser, Fondation pour la Recherche Stratégique

## **Simon Henry**

Chief financial officer, Royal Dutch Shell plc

## **Susan Hitch**

Manager, Lord Sainsbury of Turville's pro bono projects

## **Wolfgang Ischinger**

Chairman, Munich Security Conference

## **Lord Kerr (chair)**

Vice chairman, ScottishPower

## **Caio Koch-Weser**

Vice chairman, Deutsche Bank Group

## **Sir Richard Lambert**

Chairman of the British Museum, former director-general of the Confederation of British Industry and editor of the *Financial Times*

## **Pascal Lamy**

President emeritus, Jacques Delors Institute and former director-general, WTO

## **Philip Lowe**

Former director-general for energy, European Commission

## **Dominique Moïsi**

Senior adviser, Institut français des relations internationales

## **Lord Monks**

Former general secretary, European Trade Union Confederation

## **Mario Monti**

President, Bocconi University and former prime minister of Italy

## **Christine Ockrent**

Former CEO, Audiovisuel Extérieur de la France

## **Michel Petite**

Lawyer of counsel, Clifford Chance, Paris

## **Lord Robertson**

Deputy chairman, TNK-BP and former secretary general, NATO

## **Roland Rudd**

Chairman, Business for New Europe

## **Kori Schake**

Hoover fellow and distinguished professor at West Point

## **Sir Nigel Sheinwald**

Director, Royal Dutch Shell and visiting professor, King's College London

## **Lord Simon**

Director, GDF Suez and former minister for trade and competitiveness in Europe

## **Lord Turner**

Chairman, Institute for New Economic Thinking

## **Pierre Vimont**

Former secretary-general, European External Action Service

## **António Vitorino**

President, Notre Europe, Jacques Delors Institute and former European Commissioner

## **Sir Nigel Wicks**

Former chairman, British Bankers' Association

## **Igor Yurgens**

Chairman, Institute for Contemporary Development, Moscow

# CER staff 2015

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**Charles Grant** is the director.

His interests include European institutions, Britain's relationship with the EU, European foreign and defence policy, Russia and China.



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**Simon Tilford** is the deputy director.

He focuses mainly on competitiveness, macroeconomics, economic reform and the euro.



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**Ian Bond** is director of foreign policy.

He specialises in Russia and the former Soviet Union, European foreign policy, Europe-Asia relations and US foreign policy.



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**John Springford** is a senior research fellow.

He specialises on Britain and the EU, the single market, international trade, and the economics of migration.



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**Christian Odendahl** is chief economist.

He focuses on macroeconomics, the eurozone, the ECB and Germany. He also covers trade and financial markets.



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**Rem Korteweg** is a senior research fellow.

He works on transatlantic, Europe-Middle East and Europe-Asia relations; the geopolitics of energy and trade; and security and defence policy.



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**Stephen Tindale** was a research fellow.

He specialised in climate and energy policy, as well as agricultural policy and the EU budget.



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**Agata Gostyńska-Jakubowska** is a research fellow.

She specialises in EU institutions and decision-making, as well as Poland's European policy.



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**Camino Mortera-Martinez** is a research fellow.

She specialises in justice and home affairs, and in particular migration, internal security, privacy, criminal law and police and judicial co-operation.



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**Sophia Besch** is the Clara Marina O'Donnell fellow (2015-16).

The fellowship is aimed at those at the start of their careers who are interested in foreign, defence and security policy.



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**Yehuda Ben-Hur Levy** was the Clara Marina O'Donnell fellow (2014-15).



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**Kate Mullineux** is publications manager and website editor. She designs all CER publications and organises their production and is responsible for managing all website content.



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**Sophie Horsford** is fundraising & operations manager. She is responsible for the day to day management of the CER, particularly finance and fundraising.



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**Jordan Orsler** is events co-ordinator. She also provides administrative support to the researchers and is PA to Charles Grant.



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**Anna Yorke** is press & communications co-ordinator. She is responsible for the CER's communications strategy and press enquiries.



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**Daniel Crewes** is administrative assistant. He is the first point of contact for visitors to the CER, and assists with events and general administration.



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**Lucy Katz** was an events intern. She assisted in the co-ordination of events, and provided administrative support to the researchers.



# Financial support 2015

In addition to our corporate members, numerous other companies have supported specific publications, projects and events.

## 0-10K

Daily Mail and General Trust

Nomura

## 11-20K

Accenture  
AIG Europe Limited  
Airbus  
American Express  
BAE Systems  
Barclays Bank  
BG Group  
BT plc  
Clifford Chance  
Deutsche Bank AG  
Diageo plc  
The Economist  
Fidelity  
Ford of Europe

Goldman Sachs  
JP Morgan  
Kingfisher  
KPMG  
Lloyds Banking Group  
Macro Advisory Partners  
Montrose Associates  
NM Rothschild  
North Asset Management  
Prudential  
Standard Chartered  
Tesco  
Vanguard  
Vodafone

## 21-50K

BAT  
Bayer  
BP International Limited  
Centrica  
EDF  
General Electric  
Google UK Limited  
HSBC  
IBM

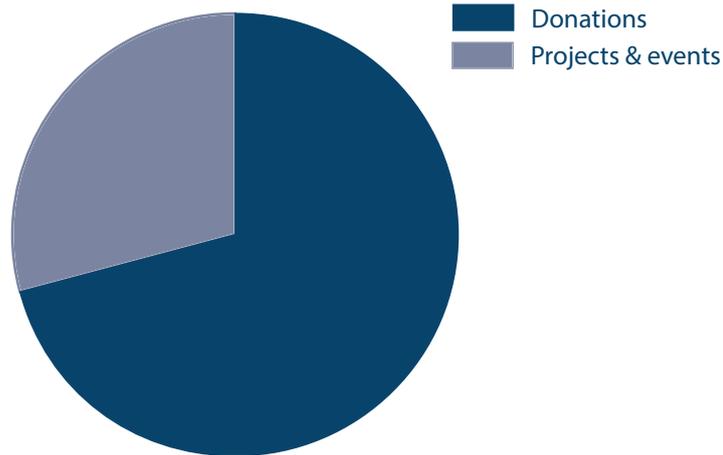
PricewaterhouseCoopers LLP  
Rio Tinto  
Ryanair Ltd  
Shell  
Statoil

# Financial information

Audited accounts for year ending 31.12.2014

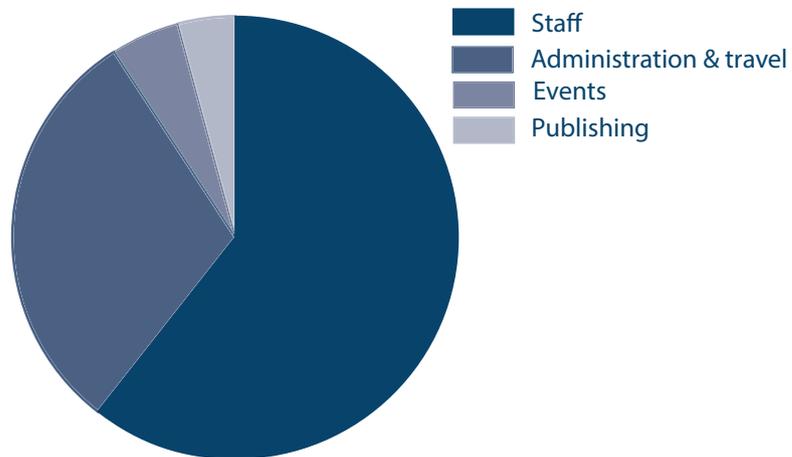
## Income for 2014:

Total £1,094,462



## Expenditure for 2014:

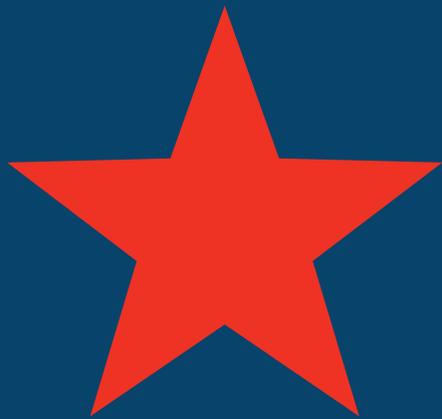
Total £1,231,388



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